

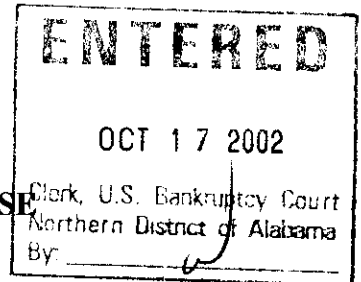
**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
Southern Division**

In re:

SHOOK & FLETCHER INSULATION CO.

Debtor-in-Possession.

**Case No. 02-02771-BGC-11
Chapter 11**



**ORDER AUTHORIZING AND APPROVING COMPROMISE
AND SETTLEMENT WITH
TRAVELERS CASUALTY AND SURETY COMPANY**

This matter having come before the Court on the Motion for Approval of Agreement and Release Between Shook & Fletcher Insulation Co. and Travelers Casualty and Surety Company (the "Motion") filed by Shook & Fletcher Insulation Co., the debtor and debtor-in-possession herein ("Shook & Fletcher" or the "Debtor"), seeking approval of a compromise and settlement agreement (appended hereto as Exhibit 1 and referred to herein as the "Agreement").

Capitalized terms used in this Order and not otherwise defined herein shall have the respective defined meanings set forth in the Agreement.

Adequate notice of the Motion and of the hearing on the Motion was given (a) by mailing a copy of the Motion and notice of the hearing on the Motion to: (i) counsel for the Asbestos Claimants Committee appointed in the Debtor's chapter 11 case (the "ACC"); (ii) counsel to the Futures Representative; (iii) counsel for the Center for Claims Resolution; (iv) the attorneys representing Asbestos Claimants who, as of the date the Motion was filed, had filed with the Court either (x) a proof of claim or (y) a notice in accordance with the Court's Order

308

Approving Notice Procedures for Individual Asbestos Claimants, entered May 2, 2002; (v) all other persons or entities that as of the date the Motion was filed, had filed a notice of appearance and demand for service of papers in the Debtor's chapter 11 case; (b) in accordance with this Court's order of May 2, 2002 (the "Notice Order"), to all Asbestos Claimants; and (c) by publication in accordance with the Notice Order.

A hearing on the Motion was held on October 17, 2002 (the "Hearing") to consider approval of the Agreement and all interested parties were given an opportunity to be heard and to present evidence. Based upon the record of the Hearing and of this Chapter 11 case, and after due deliberation and sufficient cause appearing therefor:

The Court hereby FINDS¹ that:

A. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This Motion presents a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A), (M) and (O).

B. The notice of the Motion and of the hearing on the Motion described above constitutes due, sufficient and timely notice to all persons entitled thereto in accordance with the requirements of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure, and of due process. No other or further notice of the Motion, of the hearing on the Motion or of the request for entry of this Order is necessary.

C. The Debtor and Travelers negotiated at arm's length and in good faith to reach agreement on the matters resolved through the Agreement. The Agreement is supported by the ACC and the Futures Representative.

¹ Findings of fact shall be construed as conclusions of law and conclusions of law as findings of fact when appropriate in accordance with Fed.R.Bankr.Pr. 7052.

D. The Debtor's rights and obligations under the Traveler's policies are property of the Debtor's Estate and this Court has the jurisdiction and power to approve the Agreement and the compromises and releases contained therein.

E. The Debtor has due and proper corporate authority to enter into the Agreement and perform thereunder.

F. The compromise contained in the Agreement is a valid and proper exercise of the Debtor's reasonable business judgment and represents an exchange for reasonably equivalent value.

G. The Agreement results in substantial benefits to the Debtor's Estate and its Creditors and Demand holders, including but not limited to: (i) settlement of potential complex litigation; and (ii) payment of the Settlement Amount from Travelers for the benefit of the Estate and of present and future Asbestos Claimants.

H. Each of the following factors has been taken into account by the Parties in reaching the compromises embodied in the Agreement, and each factor supports approval of the Agreement:

a) the probability of success in the litigation of the claims between the Debtor and Travelers;

b) the difficulties, if any, to be encountered in the matter of collection of any claim by the Debtor against Travelers;

c) the complexity of the litigation between the Debtor and Travelers, and the expense, inconvenience and delay necessarily attending it; and

d) the paramount interest of creditors and a proper deference to their reasonable views in the premises.

I. The terms of the compromise and exchanges of consideration set forth in the Agreement: (i) are in the best interests of the Debtor, its Estate and its creditors; and (ii) are entered into in good faith.

J. By entering into the Agreement, the Parties have compromised their positions and have not admitted to or waived any legal, factual or other positions with respect to the Coverage Dispute, or other disputes between the Parties, the Travelers Policies, the insurance relationship between the Parties, or any other matter.

NOW, THEREFORE, pursuant to Bankruptcy Code §§ 105(a) and Rule 9019(a) of the Federal Rules of Bankruptcy Procedure, IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. The Motion shall be and hereby is GRANTED in all respects subject to the provisions of this Order, and the Agreement is hereby approved in all respects.

2. The Debtor is hereby authorized and empowered to take all necessary acts to carry out and implement the Agreement in accordance with its terms without further order of the Court, including treating Travelers as a "Settling Asbestos Insurance Company" under its Chapter 11 Plan of Reorganization. The Agreement constitutes a valid and binding obligation of the Debtor and of its Estate, which shall be enforceable in accordance with the terms thereof and shall be binding on the Debtor, and any and all successors to the Debtor, including any trustee appointed in this Chapter 11 case or any other case or proceeding, and all present and future holders of Released Claims, Asbestos Claims or Demands and all other parties in interest, as set out in the Agreement.

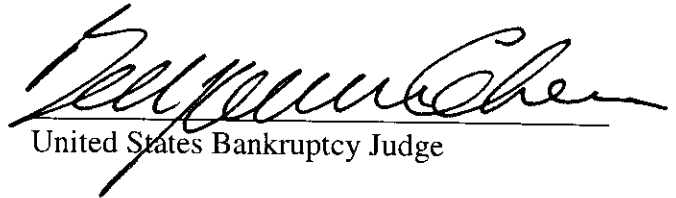
3. The releases set forth in Section V of the Agreement shall be effective in accordance with the terms of the Agreement. Without limiting the foregoing, subject to

provisions of the Agreement providing for reinstatement of Claims in certain circumstances, and except for obligations of Travelers with respect to payment of the Settlement Amount, the Travelers Releasees are released from any further liability or obligation to pay, with respect to or in connection with coverage provided or allegedly provided by Travelers under or in connection with any of the Travelers Policies, any additional amount to any Person, including but not limited to Shook & Fletcher, any related Person, any trustee appointed in the Debtor's bankruptcy case now or in the future, any Person or entity that is or claims to be an insured under any such policy, and any subrogee (or direct or indirect transferee of a subrogee) or any other Person otherwise asserting the rights of any insured under any such policy or asserting rights to benefits under any such policy.

4. As the Parties have entered into the Agreement by way of compromise and settlement, no Travelers Releasee or Shook Releasee (as defined in the Agreement) shall be deemed to have, and no such Releasee has, admitted or waived any legal, factual or other positions and no Person shall or may use the Agreement or any portion thereof, or any negotiations with respect thereto, as evidence of any kind or nature that any such Releasee has made any admission or concession of any kind or nature with respect to the Travelers Policies, any Person's rights or obligations thereunder, or the Plan.

5. This Court shall retain jurisdiction over any proceeding relating to the validity, enforceability, application, scope, construction or modification of (a) the Agreement and any of its provisions, (b) this Approval Order and (c) the Settling Asbestos Insurance Company Injunction, the Supplemental Injunction and the Third-party Injunction contemplated by the Plan in accordance with Article 13.3 and 13.3(r) of the Plan, including retention of jurisdiction following entry of any order confirming a plan of reorganization, and may make such further orders with respect thereto as are proper and appropriate.

Dated: October 17, 2002


United States Bankruptcy Judge